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Monthly Statistical Report

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MAY 1984

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Total domestic products were supplied at a near 1.3 MMBD (8.8%) higher rate in May than a year ago. Light products and "other oils" experienced substantial year-to-year increases but residual fuel oil demand continued to trail last year's level. Over the past 12 months, the level of total domestic products supplied has shown a roughly 4½% upward trend. This is in good part due to the substantial acceleration in demand in the most recent months, which reflects relatively stable prices and the broadening of the current economic recovery.

Crude oil production was ahead of 1983 levels in May in both Alaska and the lower 48; however, over the longer term it has remained relatively stable. Imports continued at high levels, rising almost 22% over last May's. The largest part of the increase resulted from higher crude oil imports. Inventories rose about 22 million barrels, twice the normal seasonal rise; an increase in crude oil inventories accounted for most of the total stocks increase.

The late April upturn in the number of active rigs continued in May. As a result, May's active rigs numbered 18% more than a year ago. Wells reported drilled fell about 11½ % in April compared with year-earlier levels. May data are not yet available.

PRODUCTS SUPPLIED[1/]

Gasoline

DELIVERIES UP 6%, PRICES DOWN 5%; UNLEADED'S SHARE ABOUT 58%

Gasoline supplied levels rose 414 MBD (6.3%) compared with last May's, reflecting a significant increase over the recent trend in consumption. The accelerated rise in gasoline consumption appears, in large measure, to be the result of the combination of higher real disposable income (up 7% from March 1983 to March 1984) and downtrending gasoline prices. A smaller part of the delivery increase, possibly 50-100 MBD, is the result of drawdown of non-primary inventories last May, still at above normal levels then because of tax-related fill-ups prior to the April 1 motor fuel tax increase.

While the year-to-date increases in car efficiency have been slowing gradually, they continue to lessen the growth in gasoline demand. During 1983, for example, the increase in miles traveled amounted to almost 4%, while total gasoline demand rose only slightly—about 1%. However, with slower increases in fleet efficiency, the increases in miles traveled — now estimated to be running at close to 6% — are having a more significant impact on gasoline demand.

Gasoline pump prices stayed relatively stable in May but, when adjusted for inflation, were about 5% (7¢) below last year and 23% below the March 1981 high.

Unleaded gasoline's market share, at 58.2%, was slightly higher than last month and up about 4 percentage points from May 1983 levels. New car sales continue to show significant year-to-year increases, gradually changing the fleet mix towards higher use of unleaded gasoline.

Distillates

DISTILLATES UP 19% DUE TO NON-PRIMARY INVENTORY CHANGES, STRONG DIESEL DEMAND

Distillate supplied levels topped last May's by 455 MBD (19.4%). Inventory changes at the non-primary level are estimated to account for more than 250 MBD of this increase, a result of below-normal replenishment last May (about 100 MBD) and substantial takings this year (about 150 MBD) to fill secondary inventories, which, according to some reports, had been depleted to below-normal levels. Most of the remainder of May's increase in distillates supplied stems from continued strength in practically all sectors of the diesel market. Truck and rail traffic levels, which had bottomed out at this time last year, have shown increases in the low double-digit range. Off-highway and farm use demand levels have also been strong.

Residual Fuel Oil

RESID DOWN 9% DUE TO FUEL-SWITCHING IN INDUSTRIAL SECTOR

Residual fuel oil deliveries they declined 118 MBD (9.0%) from last May's level. Bunker fuel sales, in line with recovering worldwide shipping activity, are believed to be about equal to last year's levels. Latest 1984 data for the electric utilities' use of residual fuel oil are for the first 3 months, during which their purchases averaged about 100 MBD more than during the year-earlier period. Higher purchase levels may well have continued, because electricity production is substantially higher than a year ago and the utilities' residual fuel oil inventories are still low. Industrial sector demand for residual fuel oil, however, continues to be weak and, despite the buoyancy of the economic recovery, is estimated to have provided most of the offsetting demand decline. Fuel switching appears to be at least in part responsible. Natural gas prices have been on a downward trend for some time. Residual fuel oil prices, while holding relatively steady recently in most markets, are generally up considerably from last year's levels. These price developments appear to indicate that some switching from residual fuel oil to natural gas may well be occurring.

Kerosine Jet Fuel

MILES FLOWN AND JET FUEL DELIVERED BOTH ON THE RISE

With many operational changes to effect greater efficiency having been made since kerosine jet fuel prices started to rise significantly in early 1979, the miles flown/fuel use ratio now appears to be stabilizing. Though undoubtedly some further fuel-efficiency increases are being achieved, the rate of air traffic increases is likely to be the major determinant of changes in total kerosine jet fuel demand. It is, therefore, surprising that kerosine jet fuel deliveries rose by more than 16% in May over year-earlier levels. Miles flown, one of the indicators of air traffic levels, rose only 9% during the first quarter compared with 1983's first quarter (latest data available). Assuming air traffic levels have remained in roughly the same range during April and May, it may be reasonable to assume that filling of end-user storage played a significant part in the high level of kerosine jet fuel deliveries.

Other Oils

STRONG RECOVERY IN CHEMICAL AND ROAD BUILDING SECTORS

The level of "other oils" supplied rose 462 MBD (14.6%). This substantial increase mainly reflects recovery of most sectors of the chemical industry and allied activities. First quarter 1984 capacity utilization in the chemical industry rose about ten percentage points over 1983's first quarter, reaching more than 80% of nameplate—and close to 90% of effective—capacity. Road building and maintenance projects are reportedly also on the increase as a result of substantially increased receipts from federal, state, and local motor fuel taxes.

(In millions of B/D)	MAY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total domestic products supplied	15.5	14.3	8.8	15.8	14.8	6.8
—Motor gasoline supplied	7.0	6.5	6.3	6.5	6.4	2.4
—Distillate fuel oil supplied	2.8	2.3	19.4	3.0	2.7	12.5
—Residual fuel oil supplied	1.2	1.3	(9.0)	1.5	1.5	4.7

PETROLEUM SUPPLY[1/]

Total supply rose 1.5 MMBD in May compared with a year ago. A nearly 1 MMBD increase in imports and 0.5 MMBD rise in total domestic supply accounted for the increase.

Production

PRODUCTION UP ALMOST 2% OVER LAST YEAR

Crude production rose about 163 MBD (1.9%) over last May's level, with both Alaskan and lower 48 production higher than a year ago. However, last May's production was well below average, partly because Alaskan output was low. This month's U.S. production increase, therefore, cannot be considered representative. On the whole, Alaskan production has been experiencing almost uninterrupted year-to-year increases, while lower 48 output is still showing close-to-offsetting declines. As a result, year 1983 total U.S. production and 1984 output to date have been relatively constant.

Imports

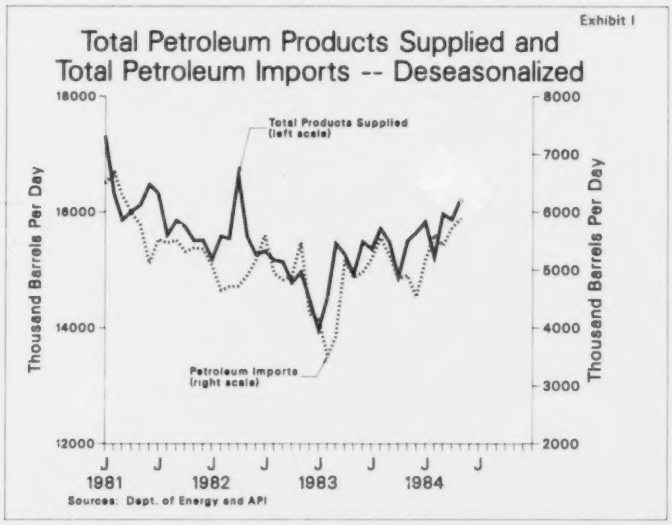
IMPORTS INCREASING; HIGHER DEMAND AND RELATIVELY STABLE STOCKS THE CAUSE

The nearly one-million barrel (21.5%) year-to-year increase in imports in May consisted mainly of higher crude imports, although distillate imports increased about 60%. Excluding the high rate of year-to-year increases in imports during the first quarter—distorted by last year's uncertainty as to the timing and degree of oil price declines—imports since last fall have been running at a roughly 12% higher rate.

Exhibit I compares total petroleum demand and total imports since the beginning of 1981. Rekindled total demand for petroleum products has been reflected in a steady growth of imports, as domestic production has not increased substantially and inventories are close to early 1983 levels. Absent any changes in domestic production, movement in demand levels will be directly reflected in import levels. Over the shorter term, of course, increases in import levels may depart from this relationship because of changes in other elements of domestic supply and inventories.

Net import dependency rose to 31%, some five percentage points above last May's level. Canada edged out Mexico to be the lead importer during March, the latest available month, followed by Mexico, the United Kingdom, Venezuela, and Saudi Arabia. Imports from Persian Gulf OPEC countries accounted for almost 10% of total imports and the remainder of OPEC for about 24%, while roughly 66% originated in non-OPEC countries.

Exhibit I



Inventories

TOTAL INVENTORIES UP 22 MM BARRELS. DISTILLATE INVENTORIES BELOW LAST YEAR; PRODUCTION RISING

Total inventories rose 22 million barrels in May, twice normal seasonal expectations. Crude oil inventory increases made up the bulk of the total inventory increase. Gasoline inventories represent 36 days of supply, in the upper end of the historical range. Distillate inventories are about 9 million barrels below last May's. Distillate inventories last year proved adequate for then-prevailing demand. In 1984, the combination of a winter much colder than forecast and a surge in diesel fuel demand have combined to reduce inventories to lower levels than would otherwise have prevailed. To accommodate the substantial increase in demand, production levels (up about 150 MBD in May) have been increased and, for the year to date, are almost 400 MBD over five-month 1983 levels.

Refinery Operations

UTILIZATION UP 5 POINTS OVER LAST YEAR

Refinery utilization reached 76.8% in May, about five percentage points above May 1983 levels. Higher refinery input and lower operable capacity levels contributed to a roughly equal degree to the increase in the utilization rate.

Exploration

DRILLING ACTIVITY MIXED; RIGS UP 18% OVER LAST YEAR, APRIL WELLS DOWN, MAY NOT YET AVAILABLE

The number of active rigs rose 18% in May over year-earlier levels and 9%, seasonally-adjusted, over prior-month activity. Wells reported drilled fell 11½% in April. May data are not yet available.

(In millions of B/D)	MAY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total supply	17.0	15.5	9.7	16.5	15.0	10.1
—Crude production[2/]	8.8	8.6	1.9	8.8	8.7	0.9
—Crude oil imports[3/4/]	3.8	2.9	28.5	3.2	2.6	27.3
—Product imports	1.8	1.7	9.0	2.0	1.5	35.1

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 404 million barrels as of May 31, 1984).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	MAY			YEAR-TO-DATE		
	1984[1]	1983[2]	% Change	1984[3R]	1983[2]	% Change
Products Supplied:						
Total motor gasoline	6,954	6,540	6.3	6,540	6,384	2.4
Finished leaded motor gasoline*	2,909	2,993	(2.8)	2,778	2,924	(5.0)
Finished unleaded motor gasoline*	4,045	3,547	14.0	3,762	3,460	8.7
Naphtha-jet	210	216	(2.8)	204	214	(4.7)
Kerosine-jet	916	789	16.1	927	800	15.9
Distillate fuel oil	2,796	2,341	19.4	3,046	2,707	12.5
Residual fuel oil	1,192	1,310	(9.0)	1,545	1,476	4.7
All other oils[4]	3,631	3,169	14.6	3,749	3,394	10.5
Reclassified[5]	- 192	- 114	68.4	- 194	- 162	19.8
Total domestic products supplied	15,507	14,251	8.8	15,817	14,813	6.8
Exports	775	848	(8.6)	680	860	(20.9)
Total products supplied	16,282	15,099	7.8	16,497	15,673	5.3
Supply:						
Domestic production:						
Crude oil[6]	8,778	8,615	1.9	8,755	8,678	0.9
Natural gas liquids	1,562	1,483	5.3	1,592	1,556	2.3
Other supply[7]	1,061	791	34.1	910	737	23.5
Total domestic supply	11,401	10,889	4.7	11,257	10,971	2.6
Imports:						
Crude oil, total	3,785[10/]	2,945[10/]	28.5	3,247[10/]	2,550[10/]	27.3
Canadian	452	225	100.9	354	243	45.7
Other	3,333	2,720	22.5	2,893	2,307	25.4
Products, total	1,813	1,664	9.0	2,031	1,503	35.1
Residual fuel oil	600	709	(15.4)	787	693	13.6
Other	1,213	955	27.0	1,244	810	53.6
Total imports	5,598	4,609	21.5	5,278	4,053	30.2
Total supply	16,999	15,498	9.7	16,535	15,024	10.1
Stock change, all oils	+ 717	+ 399	XXXX	+ 38	- 649	XXXX
Refinery Operations						
Input to crude oil distillation units	12,499	12,060	3.6	12,165	11,461	6.1
Operable capacity	16,270	16,837	(3.4)	16,198	16,833	(3.8)
Refinery utilization (%)[8]	76.8%	71.6%	7.3	75.1%	68.1%	10.3
Crude oil runs	12,268	11,789	4.1	11,956	11,165	7.1

Stocks (millions bbls.)	1984		1983[2]	% Change from . . .	
	May 31[9]	April 30[9]	May 31	Previous Month	Year Ago
Crude oil 10/	360.9	344.6r/	354.6	4.7	1.8
Unfinished oils	119.1	115.7r/	112.4	2.9	6.0
Total motor gasoline**	252.0	249.6r/	224.7	1.0	12.1
Finished leaded motor gasoline*	100.1	101.0r/	94.7	(0.9)	5.7
Finished unleaded motor gasoline*	109.7	106.9r/	92.1	2.6	19.1
Naphtha-jet	6.2	6.4	6.7	(3.1)	(7.5)
Kerosine-jet	34.4	34.1	34.6	0.9	(0.6)
Distillate fuel oil	99.9	100.5r/	109.2	(0.6)	(8.5)
Residual fuel oil	47.9	45.6r/	50.9	5.0	(5.9)
All other oils	159.4	161.0r/	177.2	(1.0)	(10.0)
Total all oils	1,079.8	1,057.5r/	1,070.3	2.1	0.9

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-March, U.S. Department of Energy, April-May, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.